



How to prepare for an audit of your H2020 project.

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Agenda

The different kinds of audits

What, by whom and when

How to get started

How to negotiate a fair price for your CFS

Final comments

Audit of a H2020 project can be performed at 3 different levels

- ***1st level the good own auditor***
- ***2nd level the bad Commissson auditor***
- ***3rd level the ugly OLAF***



EUROPEAN
COMMISSION

HORIZON 2020



Excellent Science (24.4 B €)

European Research
Council
(13.1 B €)

Future and Emerging
Technologies
(2.7 B €)

Marie Skłodowska-Curie
Actions
(6.1 B €)

Research Infrastructures
(2.5 B €)

Industrial Leadership (17 B €)

LEIT = Leadership in
enabling and industrial
technologies

- ICT
- Nano, new materials
- Biotechnology
- Space

(13.5 B €)

Access to Risk Finance
(2.9 B €)

Innovation in SMEs
(0.6 B €)

Societal Challenges (29.7 B €)

Health
(7.5 B €)

Food
(3.9 B €)

Energy
(6 B €)

Transport
(6.3 B €)

Climate
(3 B €)

Inclusive Societies
(1.3 B €)

Security
(1.7 B €)

Spreading Excellence (0.8 B €)

Science for Society (0.5 B €)

EIT (2.7 B €)

JRC (1.9 B €)

Euratom (1.6 B €)

- ***1 Level audit***
- **Certificate on financial Statement (CFS)**
- Initiated by the beneficiary, issued by your own external auditor.
- Read Annex 5 of the Grant Agreement
- Only due at the end of the project (but possible to make a CFS after each reporting period to discover errors and reduce risks)

When do you need a CFS

Differences from FP7 to H2020

| FP7 | H2020 |
|--|--|
| <p>Threshold for CFS: Each time more than 375.000 € in Total <u>Requested</u> Contribution</p> | <p>New threshold for CFS: 325.000 € in Total <u>Direct</u> Costs. (=Total Requested Contribution 406.250 €). Only due at payment of the balance (final payment). Make a “test” CFS, if possible</p> |
| <p>Audit Certificate (CFS) are claimed as subcontracting <u>without</u> overhead.</p> | <p>Audit Certificate (CFS) are claimed as “Goods and services” <u>with</u> overhead.</p> |
| <p>Exchange rate: Normally, first bank day after the end of the Reporting Period</p> | <p>Exchange rate: Average exchange rate for the entire Reporting Period: www.ecb.europa.eu/stats/exchange/eurofxref/html/index.en.html</p> |

- ***2 Level audit***

- Draft and Final **Audit Report**
- Initiated by the Commission by Letter of Announcement (LoA).
- Performed by the Commission's own auditors, or by external audit companies acting on behalf of the Commission.
- Both during and after the end of the project.
- Read and use the relevant templates and the **Indicative Audit Programme**.
- Tip- take it easy. Most likely you have only been selected for statistical reasons.

Filter by programme:

Horizon 2020 Framework Programme (H2020)

Clear filter

Reference Documents

This page includes reference documents of the programmes managed on the EU Funding & Tenders portal starting with legal documents and the Commission work programme agreements and guides for specific actions.

Filter

- Legislation
- Work Programmes
- Grant agreements, contracts and rules of contest
- Guidance
- Templates & forms
 - Proposal templates
 - Proposal evaluation forms
 - Validation and LEAR appointment forms
 - Grant agreement preparation templates
 - Project reporting templates
 - Audit templates
 - List of supporting documents for the audit >
 - List of supporting documents for the audit for MSCA >
 - Internal control questionnaire >
 - Internal control questionnaire for MSCA >
 - Detailed cost breakdown >
 - Detailed cost breakdown for MSCA >
 - SME Instrument declaration >
 - Letter of representation >
 - Statement on audit implementation >
 - Certificate on alternative correction rate >
 - Audit extension file >
 - Prizes templates
 - Expert names (annual lists)

The EU Framework Programme
for Research and Innovation

HORIZON 2020



H2020 Programme

Indicative Audit Programme

2 Level audit experience in H2020

- **So far – very variable quality of the auditors**
- **Before the audit. – read the relevant “Internal Control Questionnaire” and the “Indicative Audit Programme”**
- **After the audit: Read the “Draft Report”**
- **Auditors are humans – and humans can make mistakes**

- ***3 Level audit***
- **OLAF EUROPEAN ANTI-FRAUD OFFICE**
OFFICE EUROPÉEN DE LUTTE ANTIFRAUDE
 - Initiated by the Commission on suspicion of fraud.
 - No letter of announcement or other warnings
 - Nothing to read beforehand. You should have done your homework earlier.
 - Tip- stay calm and do exactly as they tell you

**You need a CFS for your H2020 project –
how to get started**

***1. Find out who is LEAR or **Audit Contact** at
your institution***

***2. Find out who is your “Institutional Auditor”
and make an appointment***

***3. For further assistance. Find out who is your
National Contact Point for Legal & Finance
(L&F NCP) They have a good network***

Horizon 2020 Framework Programme (H2020)



clear filter

National Contact Points for Horizon 2020

The network of National Contact Points (NCPs) is the main structure to provide guidance, practical information and assistance on all aspects of participation in Horizon 2020. NCPs are also established in many non-EU and non-associated countries ("third countries").

Search by

Country(ies): Italy

Function(s): Legal and Financial

Search Clear

Order By: ☒ Country ☐ Contact ☐ Recent ☐ Organisation

Italy's NCP

Person of contact: Claudia Zurlo

Function(s): Legal and Financial Aspects

Contact Claudia Zurlo

Update date: 06-JUL-17 - Record Control Number: 3000926

Organisation

APRE

Via Cavour,71- 00184 ROME | Italy

Tel: +39-06-48939993 - Fax: +39-06-489025500

Website:

NCP Services

In general, the following basic services are available in accordance with the [NCP Guiding Principles doc](#) agreed by all countries:

Guidance on choosing relevant H2020 topics and types of action
Advice on administrative procedures and contractual issues
Training and assistance on proposal writing
Distribution of documentation (forms, guidelines, manuals etc.)
Assistance in partner search

As the NCPs are national structures, the type and level of services offered may differ from country to country.

What is the NCP network?

NCPs are national structures established and financed by governments of the 28 EU member states and the states associated to the framework programme.

NCPs give personalised support on the spot and in applicants' own languages.

The NCP systems can vary from one country to another from highly centralised to decentralised networks, and a number of very different actors, from ministries to universities, research centres and special agencies to private consulting companies.

9. Actual personnel costs: *annual productive hours*

European
Commission

1720 hours
NEW

Individual annual productive hours

- **Formula: annual workable hours + overtime - absences**

Standard annual productive hours

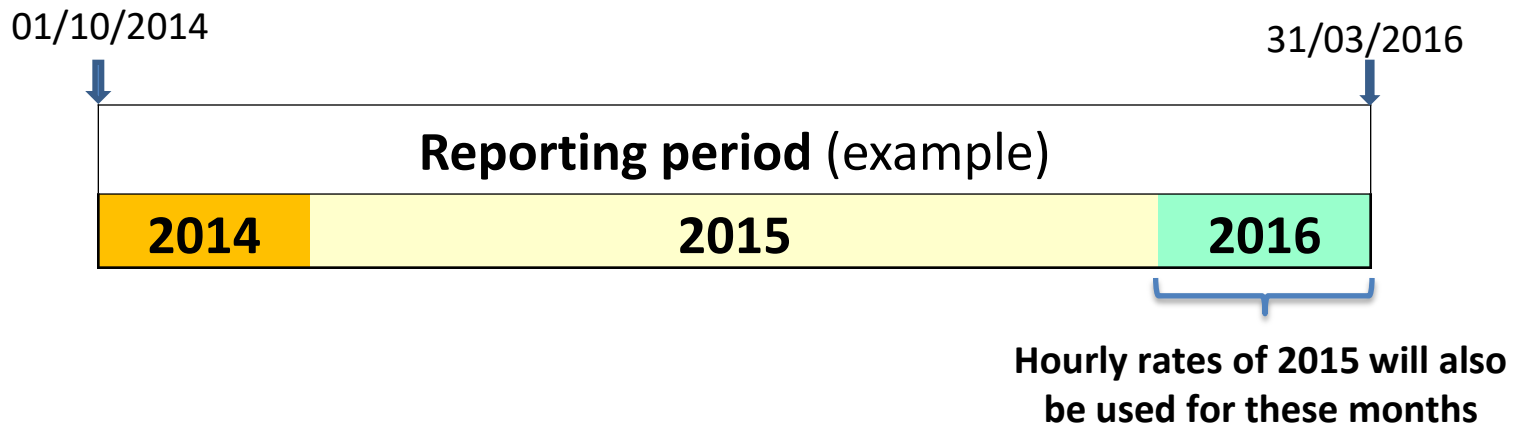
- **According to the beneficiary's usual accounting practices; Minimum threshold: annual productive hours \geq 90 % of the standard workable hours**

Disclaimer: Information not legally binding

9. Actual personnel costs: calculation - II

European
Commission

Use of the last closed financial year



ADVANTAGES FOR THE BENEFICIARIES

- ➡ NO ADJUSTMENTS TO BE DECLARED IN THE NEXT PERIOD
- ➡ LEGAL CERTAINTY: NO DOUBTS ABOUT WHAT PERIOD AND WHAT DATA MUST BE USED FOR THE CALCULATION
- ➡ REMOVES ERRORS DUE TO INCORRECT CALCULATIONS FOR FRACTIONS OF A YEAR

Disclaimer: Information not legally binding

Case 1A (general case): hourly rate calculation

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

Annual hourly rate

Hourly rates calculated per full financial year

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

Two options

Monthly hourly rate

Hourly rates calculated per month

$$\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}$$

NEW !
(2016)

You are involved in a 1st level audit (Certificat on Financial Statement)

Start by reading the “Agreed-upon procedures” Annex 5 in the Model Grant Agreement (obs. new version Juli 2016)

Find out if your institution uses 1720, individual or standard annual productive hours.

Find out if your institution uses the “last closed financial year” or the “monthly hourly rate” model.

- ***If you use the “monthly hourly rate” model, it is very important that you download the latest version of the Model Grant Agreement.(2016)***
- ***The option of “monthly hourly rate” is not mentioned in Grant Agreements signed before 2016.***

How to negotiate a fair price for your H2020 CFS

| Auditor's argument | Your reply |
|--|---|
| <p data-bbox="88 265 807 472">In FP7, a CFS only included 14 Agreed-upon procedures to be performed by the auditor.</p> <p data-bbox="88 494 774 629">In H2020, the CFS includes 67 Agreed-upon procedures.</p> <p data-bbox="88 651 942 779">This means the auditor will have approx. four times more work to do.</p> | <p data-bbox="987 265 1875 472">Most Agreed-upon procedures do not include any work for the auditor if they are N.A. (Non Applicable)</p> <p data-bbox="987 494 1721 622">Example: at UCPH, a H2020 CFS included different 40 N.A.</p> <p data-bbox="987 644 1769 851">This means that only 27 out of 67 Agreed-upon procedures actually involved work for the auditor.</p> <p data-bbox="987 872 1866 1236">Tip. Find out which Agreed-upon procedures are relevant for your institution. No institution will have to perform all 67 Agreed-upon procedures.</p> |

How to negotiate a fair price for your H2020 CFS (2)

| Auditor's argument | Your reply |
|---|---|
| <p data-bbox="79 265 948 472">In FP7, a CFS was needed every time a beneficiary had spent more than 375.000 € in requested contribution.</p> <p data-bbox="79 494 948 701">In H2020, a CFS is needed if the beneficiary has reported more than 325.000 € in Direct Costs.</p> <p data-bbox="79 722 948 1008">However, in H2020 a CFS is only due at the end of the project – even if the beneficiary has spent more than 1 million €.</p> <p data-bbox="79 1029 948 1308">This means that compared to FP7, the auditor will have many more samples to check before issuing the CFS.</p> | <p data-bbox="977 265 1875 472">In FP7, the auditor had to select minimum 20 items, or 20% of the total.</p> <p data-bbox="977 494 1875 1008">In H2020, the auditor only has to select 10 items, or 10% of the total. For a H2020 project requesting e.g. 407.000 €, the auditor will actually have less samples to check compared to the same requested contribution in FP7.</p> |

If you make a voluntarily midterm CFS, your auditor might ask for the legal mandate

NEW Annotated Model Grant Agreement, page ,187 (version 5.1, 6 December 2018)

- Beneficiaries/linked third parties may submit either **one certificate per reporting period** or a **single CFS** for the **whole action**.
- The certificate(s) may be submitted ONLY **with** the **final financial report**. Certificates submitted at any other moment will NOT be accepted (and costs incurred for them will be considered ineligible, because not necessary).
- Costs for partial certificates (i.e. one certificate per reporting period) will be accepted ONLY in the last reporting period and ONLY if:
- ☐ a CFS is mandatory (i.e. the threshold is reached at the end of the action) and
- ☐ the total costs of the partial certificates is similar to the cost that would have been incurred for a single certificate.

- *Can errors be avoided? (continued)*



**Indicate nothing
else but
The Reality**

• *Time sheets*

***I work 100% on the action
so I don't have to fill in TS, correct?***

Correct, but pay attention:

- Did I spend a significant part of my time building up a network with other entities or other laboratories of my company, for future actions?
- Did I spend time in writing proposals for the next calls?
- Did I give lectures for the University?
- Did I travel for other unforeseen activities?
- What do I have to indicate in the box of the self-declaration requesting an indication of the activities carried out, per work package?

To summarise

- **Eligible Costs**

- ✓ Therefore, costs must be :

- ⇒ actual, economic and necessary for the project incurred during the duration of the project (exception: costs of the final reports)

- ⇒ recorded in the accounts (or third parties)

- ✓ and must exclude indirect taxes, duties, interests, costs reimbursed in respect of another Community project, and not give rise to profit

Final comments

- **Be prepared. Start early and do your homework**
- **Find and join a relevant national network, EARMA, ARMA, DARMA, NARMA, KOWI, etc.**
- **If possible. Make a voluntarily midterm CFS**
- **You will save yourself a lot of trouble and save your institution a lot of money**

Best of luck with your audit

Thank you for your attention

| FP7 | H2020 |
|--|---|
| Audit of the project up to 5 years after the official end date of the project. | Audit of the project up to 2 years after "Final Payment". However, OLAF up to 5 years, so save all documents. |
| Lab costs, gloves, reagents, etc. could be charged to the project by "fair apportionement" | Lab costs etc. can only be charged to the project if they are "quantifiable and measureable". However, new rule for "self produced consumables", lab mice, etc. |
| Identifiable VAT <u>is not</u> an eligible cost. | Non-deductible VAT <u>is</u> an eligible cost. Special case for "Partially Deductible VAT". OBS. Time is money – also for universities |

| FP7 | H2020 |
|---|---|
| No demand for yearly calculation of Productive Hours. | Productive Hours have to be calculated annually. Moreover, Productive Hours have to be minimum 90% of Workable Hours . |
| Timesheets required for all time paid by the project. (- Marie Curie fellow) | Timesheets not mandatory if the person works exclusively for the project. (Declaration instead). For persons <u>not</u> working exclusively on the project – Timesheets are mandatory. |
| Pre-financing normally up to 160% of expected expenditure during the first Reporting Period | No rules for Pre-financing. Hopefully, 100% expected expenditure during the first Reporting Period, but might vary from call to call |
| "List of Definitions" are part of Grant Agreement, Annex II, General Conditions. | "List of Definitions" have been moved to "Rules for Participation" (Do you know where to find them?) |

| FP7 | H2020 |
|--|--|
| <p>Marie Curie Overhead = 10%</p> | <p>Marie Sklodowska Curie (MSC) No overhead in %, but instead a fixed Unit Cost per fellow month</p> |
| <p>Marie Curie Management = recorded "Actual Costs"</p> <p>Often difficult to define "Management" activity</p> | <p>In Marie Sklodowska Curie ITN Management and Overhead are merged into a Unit Cost = 1200€/fellow month.</p> <p>This implies that overhead will vary from project to project. It's a good idea to handle this issue already at the proposal stage.</p> |

| FP7 | H2020 |
|---|--|
| All financial costs are reported in Form C . | No Form C . Instead all financial costs are reported in "Financial Statement". |
| Form C include details on the reported costs; persons working on the project, travel cost, consumables etc. | Financial Statement does not include details on the reported costs. Only total Personnel costs and total Other costs. However, all details have to be available in case of an audit. Conclusion. Make sure all details are recorded and saved in a secure file. |

| FP7 | H2020 |
|---|---|
| <p>Costs related to parental leave could, under certain circumstances, be claimed as direct cost to the project.</p> | <p>As standard, no longer possible to claim parental leave as costs to a specific project. Only option is to include Parental leave as "absence" when calculation Annual Productive Hours.</p> <p>However, when using "monthly hourly rate" parental leave cannot be deducted as absence. Instead, extra parental leave costs might be claimed in proportion to the time the person worked on the project in that financial year (obs. complicated calculation)</p> |
| <p>Additional remuneration not eligible</p> | <p>Additional remuneration might be eligible under certain conditions (check decision tree in AMGA)</p> |